

Michael A. Allocca  
President and Chief Executive Officer

March 23, 1998

The Honorable John M. McHugh  
Congress of the United States  
House of Representatives  
Committee on Government Reform and Oversight  
2157 Rayburn House Office Building  
Washington, DC 20515-6143

Dear Mr. McHugh:

Thank you for the opportunity to review the Overview of Proposed Revisions to H.R. 22, *"The Postal Reform Act of 1997"*. I am enclosing the following observations/comments:

A. OVERVIEW BY JOHN M. MCHUGH, CHAIRMAN, SUBCOMMITTEE ON THE  
POSTAL SERVICE:

1. Page 4 - NON-POSTAL PRODUCT:

**Reads:** Non-Postal Products are not defined and the new regulations "authorizes the Postal Service to introduce new, unregulated, non-postal products if produced by a private law Corporation owned by the Postal Service and funded from the Competitive Products Fund."

**Comment:** The new revisions appear to allow alliances between USPS and private companies for the development of non-postal products, placing USPS in a position to compete against the postage meter manufacturers. All past and current technical information provided to USPS in connection with new technologies must be protected and held proprietary.

B. SECTION-BY-SECTION ANALYSIS. POSTAL REFORM ACT OF 1997: PROPOSED  
REVISIONS:

1. Page 6, Section 402 - POSTAL SERVICE INVESTMENTS

Page 6, Section 402 - EXCLUSIONS FROM FEDERAL FINANCING BANK

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Observations/Comments To: H.R. 22, The Postal Reform Act of 1997 - Proposed Revisions

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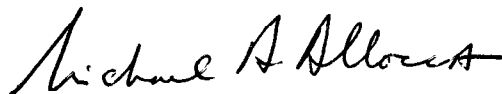
Comment: These sections appear to allow USPS to make investments with postal revenues within those open markets best suited to its financial needs. CMRS (the system that allows postage meters to be set by phone) was taken over by USPS because USPS objected to a private company "floating" postal revenues. USPS believed that profits were considered "unjust enrichment" and manufacturers had no incentive to reduce the "float" in trust funds. The proposed deregulation may place USPS in the same position as a private corporation concerning postal funds and to allow USPS to "float" or invest these monies would be at the expense of the meter manufacturers who must continue to support their respective CMRS Systems without compensation from USPS.

2. Page 43 & 44, ADDITIONS: Division into postal and non-postal products:

Comment: HR 22 does not clearly define non-postal products, but does appear to allow USPS to set up alliances with private companies to provide these non-postal products. This capability may open the door for USPS to develop a line of products outside the scope of traditional USPS postal products and allow USPS entry into the metered mail market. The market position of the meter manufacturers could be seriously weakened should USPS use their regulatory powers and the strength of their customer base against the meter manufacturers in direct manufacturing of competitive industry products.

After reviewing the above observations and comments, please do not hesitate to contact me if you have further questions.

Sincerely yours,



Michael A. Allocca

MAA/fj